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Community Residences



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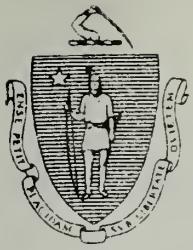
AUG 19 1989

DOCUMENTS
COLLECTION

and the Myth of Property Devaluation

Massachusetts Department of Mental Health
Office of Community Relations
July, 1988

(AN)



EDWARD M. MURPHY
Commissioner

The Commonwealth of Massachusetts

Executive Office of Human Services
Department of Mental Health
160 North Washington Street
Boston, Massachusetts 02114

AREA CODE (617)

October 14, 1988

Dear Interested Parties:

Providing services for people with serious mental illness is often made more difficult by a variety of assumptions and misperceptions which, unfortunately, are as persistently believed as they are untrue. Very often, though we know them to be false, the evidence to refute those myths is difficult to amass and make understandable to the general public.

However, as for the myth that property values suffer when group homes are placed in neighborhoods, the evidence is straightforward and irrefutable.

I have attached a synopsis of relevant studies which have been conducted on this subject. None of the studies find any adverse impact on selling price, time on market, ratio of selling price to asking price, or rate of property appreciation in group home neighborhoods when compared to similar neighborhoods without group homes.

Copies of the complete studies are available on request.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward M. Murphy".
Edward M. Murphy
Commissioner

EMM/dcd

Attachment

REAL ESTATE VALUES NEAR GROUP HOMES
FOR SERIOUSLY MENTALLY ILL PEOPLE
A SYNOPSIS OF REPRESENTATIVE STUDIES

"Impacts on the Surrounding Neighborhood of Group Homes for Persons with Developmental Disabilities," by Daniel Lauber, prepared for the Governor's Planning Council on Developmental Disabilities, Springfield, Illinois, September, 1986.

This study tracked sales of 2,261 residential properties and property turnover rates in immediate neighborhoods surrounding 14 group homes serving developmentally disabled adults, including those with severe behavior problems, and 14 control neighborhoods matched on the basis of age of housing, housing mix, racial composition and mean price of ownership residential units. Also, homes were matched by visual interpretation of comparability. Residential properties selected for analysis were located within a four block radius of Chicago and its suburban sites, and a five block radius of sites in other Illinois communities. Sales data were collected for two years before the group home opened and two years after where possible, or for a period before its opening which matched the time it had been in operation, if that period was less than two years.

Mean sales rose in group home neighborhoods more than in non-group home neighborhoods during the period studied, analysis showed. However, T-test analysis of before and after mean sale prices in control and test neighborhoods showed that changes in mean sales price could not be attributed to opening of group homes. Further, the difference in change in mean sales price in group home versus non-group home neighborhoods was not significant. Therefore, the presence of group homes had no impact on property values. With respect to stability, there also were no statistical differences in turnover rates between group home and non-group home neighborhoods.

"The Impact of Community Residences on Property Values in The Westfield Massachusetts Area," conducted by The Research Group, Northampton, Massachusetts, June, 1985.

This study compared neighborhoods with similar location (e.g., urban, suburban, rural, distance from shopping, schools, traffic), population (age, income, education, marital status, minorities), and housing characteristics (single family, proportion of homeowners, age and condition of housing stock, housing values) which contained or did not contain a group home for the mentally ill or mentally retarded.

Analysis of property turnover showed that there were no significant differences within or between neighborhoods. The presence of a group home did not cause flight from the neighborhoods. There were an insufficient number of sales in these neighborhoods to statistically analyze the effects on property values.

"The Impact of Community Residences Upon Neighborhood Property Values," prepared by the Suffolk Community Council, Smithtown, N.Y., 1984.

A random sample of seven community residences located in residential neighborhoods and seven comparable control areas matched by housing and demographic characteristics were studied to determine effects of the growing number of community residences on property values. Multiple Listing Service data on number of homes on market, total number of sales within each area, sales price of each home, proximity to study site, and days on market were analyzed for a period of 18 months before and 18 months after presence of the community residence.

Results showed that the number of sales did not change or decrease after the group home's opening. There were no significant declines in sales prices or increases in days on the market either before and after or in group home areas as opposed to control neighborhoods. The conclusion is that presence of group homes had no impact.

"Group Homes and Property Values, A Second Look," Christopher A. Wagner J.D., and Christine M. Mitchell, Ph.D., for the Metropolitan Human Service Commission, Franklin County, Ohio, August, 1980.

This study was a followup to an empirical study of eight group homes for mentally ill, developmentally disabled, and court-committed youths in Franklin County, Ohio. The first study had compared property values and time on the market before and after "purchase date" in neighborhoods where the group homes were located. The followup study used "occupancy date." There were no statistical differences between property values "before" and "after" in either the original study or the followup. Further, there were no statistical differences in time on the market before sale. In all, over 2,000 properties were analyzed for the two studies.

"Property Values and Mental Health Facilities in Metropolitan Toronto," John Boeckh, Michael Dear, and S. Martin Taylor, in 24 The Canadian Geographer 270, Fall, 1980.

This study focused on five group homes for persons with mental illness. Sales prices and sales activity for properties in

the area of the homes were compared with those in control areas for a period of two years before and two years after the group homes opened. The impact area was 400 meters, separated into 100 meter concentric circles. The study found that the presence of these homes had no impact on either property values or property turnover rates. Distance from the facility and type of facility had no impact on property values. The most important factors affecting sales price were characteristics of housing units themselves, particularly number of rooms.

"Promoting and Resisting Group Homes: The Property Value Issue," Sherry Wickware and Tom Goodale, in 7 Leisureability, 4:24, 1980.

This study assesses the effects on property values in residential areas caused by location of group homes; the study area was defined as "properties in visual proximity to the group home." Five indicators were used to assess effects: rate of turnover, selling price, rate of property appreciation, length of time on the market and sales price as a percentage of list price in each of the areas of proximity. In addition, a "windshield survey" was conducted to rate the exterior condition of the home relative to other homes in the neighborhood.

Only one home fell below the standards of the neighborhood in which it was located; all others were at or above standard. None of the five indicators individually, nor all five together, showed evidence of adverse effects caused by the group homes' locations.

In another article reporting on this study ("Group Homes and Property Values, 19 Plan Canada 2:154), the authors report that group homes for adults tend not to be located in the most restrictive residential zones, and that there is a tendency for property closer to the group home to sell for more than property farther away. These differences are not, however, statistically significant.

"Impact of Mental Health Facilities on Property Values," Michael Dear, in 13 Community Mental Health Journal, 2:150, 1977.

This study examines the impacts on property values and turnover in areas where relatively small-scale outpatient facilities for mentally ill people are located. A representative sample of 12 satellite mental health facilities was selected for analysis in the city of Philadelphia Real Estate Directory based on walking distance from the mental health facility. Negative value was defined as an increase in transactions and a decrease in their absolute value.

Results of this study support findings of other studies with respect to property values (no impact), but were inconclusive with respect to turnover. Increased turnover was indicated in 8 of the 12 cases, but the number of transactions was insufficient to make a judgment about relationship to the presence of the group home.

"The Influence of Halfway Houses and Foster Care Facilities Upon Property Values," prepared for the City of Lansing (Michigan) Planning Department, October, 1976.

This study used both a "control group" and a "before and after" approach to analyze property values in five neighborhoods containing group homes, foster care homes, or halfway houses serving women with alcohol problems, youth wards of the court, mentally ill adults, and mentally retarded adults. The "test area" was an area of 300 feet around the targeted special use property. Sample group home neighborhoods were paired with controls on the basis of age, type, and value of structures, owner-renter ratio, land use patterns, and relationship to central city, schools, shopping and transportation.

Trend analysis of the ratio of selling prices to appraised values (set by the city assessor's office) for each test home revealed no evidence of a relationship between existence of special use homes and property values. Real estate market values remained about the same for test and control neighborhoods both before and after the existence of the special use homes. Further, there was no evidence that these facilities spurred sales of nearby properties. Type of home use or comparison characteristics made no difference in these results.

**"The Effect of Siting Group Homes on Surrounding Environs,"
Stuart Breslow, Princeton University, Princeton, N.J., 1976.**

This study addresses the impact of group homes for mentally and developmentally disabled persons, veterans, dependent or neglected children and the elderly on property values and neighborhood stability. Sixteen residential care facilities in four areas were studied using a combination of field surveys and analysis of sales transactions, and there were two areas without group homes used as controls. Given that some areas studied have multiple group homes located therein, this study addresses the condition of "saturation."

The results of this study are inconclusive both for comparisons of group home areas with control areas and pre- and post-group home openings. There is evidence that the group homes did not depress, and sometimes increased, property values. There was a tendency towards increased turnover, but the impact was insufficient to support a conclusion.

**"Impact of Residential Care Facilities in Decatur (Georgia)"
prepared by the Macon County (Georgia) Mental Health Board, 1976.**

Members of the Decatur Board of Realtors reported no effect on housing values or turnover rates of properties surrounding five intermediate care facilities for persons with mental disabilities.

